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Attorneys for Defendant CIRCLE INTERNATIONAL CO.

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SAN DIEGO

GREMLIN INDUSTRIES, a Delaware corporation,

Plaintiff.

VS.

CIRCLE INTERNATIONAL CO., INC., etc. et al.,

Defendants.

CASE NO. 416704

NOTICE OF MOTION AND MOTION FOR CHANGE OF VENUE; FOR COSTS AND ATTORNEYS' FEES; POINTS AND AUTHORITIES IN SUPPORT THEREOF; AFFIDAVIT OF MERITS IN SUPPORT THEREOF; DECLARATIONS OF RICHARD J. GREENE AND DEAN MCMURDIE IN SUPPORT THEREOF

Date August 24, 1978 Time: 1:30 P.M. Place: Department 4

TO: Plaintiff, GREMLIN INDUSTRIES, INC., and to its ?? attorney of record, Ernest Borunda, Esq.:

PLEASE TAKE NOTICE that on August 24, 1978,at 1:30 P.M. or as soon thereafter as the matter may be heard in Dept. 4 of the above-entitled Court, located at 220 W. Broadway, San Diego, California, Defendant CIRCLE INTERNATIONAL CO., will move the Court for an Order Changing Venue for the trial of this action to the Los Angeles Superior Court, Central District, located at 111 North Hill Street, Los Angeles, California.

This Motion will be made on the grounds that the Court

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designated on the Complaint on file herein is not the proper Court for the trial of this action, thus requiring that the matter be transferred to the Los Angeles County Superior Court, Central District.

This Motion will be based on this Notice of Motion, the Memorandum of Points and Authorities filed herewith, the Affidavit of Merits filed in support hereof, the Declarations filed in supporthereof, and such further documentary and/or oral evidence as the Court may receive at the time of hearing on this Motion.

Defendant CIRCLE INTERNATIONAL CO. will also move the Court for an Order for costs and attorneys' fees incurred in making this Motion, pursuant to the provisions of California Code of Civil Procedure Section 396(b).

Dated: June 28, 1978

KIRSCH ARAK AND BULMASH

By: /// // // RICHARD J. GREENE, Attorneys
for Defendant CIRCLE INTERNATIONAL

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AFFIDAVIT OF MERITS

I. DEAN MCMURDIE, declare and state:

- That I am the President of Circle International Co., the Defendant in the above-entitled and numbered action. That as to the following facts I know them to be true of my own personal knowledge and if called and sworn as a witness in this matter, I could and would competently testify thereto.
- That I have fully and thoroughly stated the case regarding this action and all facts and circumstances connected to it to my counsel, Kirsch Arak and Bulmash who are licensed and practicing attorneys, admitted to practice before all of the Courts of the State of California; and after such statement I am advised by such counsel, and truly believe, that I have a good and valid defense on the merits to the allegations set forth in the Complaint on file herein.

Executed this 24 day of June, 1978 at Boverly Hills, California.

I declare under penalty of perjury that the foregoing is true and correct.

Declarant

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POINTS AND AUTHORITIES

Defendant, CIRCLE INTERNATIONAL COMPANY, submits the following Points and Authorities in Support of its Motion:

> THE CONTROVERSY HEREIN CENTERS AROUND AN ORAL CONTRACT FOR THE PURCHASE AND SALE OF GOODS AND AS SUCH, THE PROPER VENUE IS IN THE COUNTY WHERE THE LAST ACT NECESSARY TO EFFECTUATE THE CONTRACT TOOK PLACE. Bank of Yolo vs. Sperry Flower Co. 141 Cal. 314 (1903): Pacific Airlines vs. Superior Court, 231 Cal. App. 2d 587, (1965); Witkin, California Procedure, Section Edition, Actions Section 478.

Although Plaintiff has employed the tactic of pleading its Complaint in common counts, which provides the Court with the least possible information regarding the circumstances surrounding the controversy between the parties, it becomes apparent that one party cannot become obligated to another upon an open book account, account stated, or any other theory, unless some type of agreement is the underlying transaction. The agreement in the case at bar is an oral contract for the purchase and sale of goods.

The Complaint, at Paragraph 3 thereof, alleges only that the obligation was payable in San Diego. However, not only

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MRSCH, ARAK AND BULMASH 200 SOUTH BYNGALY DEVY, SUITE SOO BYNGALY HILLE, CALIFORNIA DOSIS is this less than dispositive as to where payment is made, it fails to take into account that the underlying transaction being an oral contract for the purchase of goods, venue would be proper at the place where the last act necessary for the effectiveness of the contract took place. As appears with more particularity in the Declaration of Dean McMurdie filed in support of this Motion, the vast majority of goods shipped by GREMLIN to CIRCLE were shipped freight collect, to be accepted and with freight charges paid in Los Angeles County, California.

In discussing and deciding that the Court must inquire into the nature of the action, the <u>Pacific Airlines</u> Court, at page 590 of its opinion held:

"The true rule is that in venue matters, we look to the Complaint to determine the nature of the action..."

Here, however, Plaintiff has employed the method of pleading which gives the Court the lease information. However, as Plaintiff well knows, the vast majority of the goods shipped to CIRCLE required acceptance by CIRCLE paying the freight charges in Los Angeles County, California, thus finalizing the acceptance of delivery of the goods and thus being the last act necessary to effectuate the oral agreement to purchase.

While Plaintiff may argue that <u>California Civil Code</u>

Section 1489 takes cognizance that an offer of performance may be made to the creditor where he resides, said Section provides that this is done at the option of the debtor. There is no allegation in the Complaint supportive of such theory.

Professor Witkin, supra, at page 1302 of this Procedure Treatise, further verifies that the Court must seek the intention of the parties in the circumstances.

As the Declaration of Dean McMurdie filed in support of this Notion will show, the intentions of the parties was that the goods be accepted and freight charges paid in Los Angeles County, thus finalizing and effectuating the contract at that location. In fact, Plaintiff's own invoices are illustrative of the fact that the vast majority of shipments were freight collect.

2. ON A MOTION FOR CHANGE OF VENUE BY
A CORPORATE DEFENDANT SUED IN A
COUNTY OTHER THAN WHERE ITS PRINCIPAL
PLACE OF BUSINESS IS LOCATED, THE
BURDEN IS ON PLAINTIFF TO ESTABLISH
THE PROPRIETY OF VENUE IN THE COURT
WHERE THE SUIT WAS FILED.
Meyer vs. Burdett Oxygen Co., 170 Cal. App. 2d
519 (1959).

While Plaintiff may argue that the rules for venue as concerns corporate defendants are more broad than those pertaining to an individual defendant, the law specifically provides that such theory is tempered by a shifting of the burden to Plaintiff to establish the propriety of venue. Or, to put it as the Meyer Court did, at page 523 of its opinion:

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"The general rule is that where an action is brought against a corporation in a county other than where its principal place of business is located, the burden is on the plaintiff, on an application for change of venue, to show that the contract was made, or was to be performed, or that the obligation arose, or that the breach occurred in the County where the suit was brought. (Hammond vs. Ocean Shore Development Co. 22, Cal. App. 167...)"
[Emphasis added]

Here, Plaintiff has used the barest venue allegation possible and provided the Court with the least amount of information concerning the facts of the underlying transaction between the parties. It is therefore submitted that Plaintiff has totally failed to establish venue in San Diego County.

3. COSTS OF MAKING A MOTION FOR CHANGE OF

VENUE AND ATTORNEYS FEES' INCURRED ARE

RECOVERABLE AND SHOULD BE AWARDED TO

DEFENDANT.

California Code of Civil Procedure, Section 396(b)

The above-cited statute provides in pertinent part:

"...the court may order the payment
to the prevailing party of reasonable

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expenses and attorneys fees incurred in making or resisting such motion whether or not such party is otherwise entitled to recover its costs of action. In determining whether such order for expenses or fees shall be made, the court shall take into consideration (1) whether an offer to stipulate to change of venue was reasonably made and rejected, and (2) whether such motion or selection of venue was made in good faith given the facts and law the party making the Motion or selecting the venue knew, or should have known."

As will appear with more particularity in the Declaration of Richard J. Greene filed in support hereof, an offer for stipulated change of venue was made, but rejected by Plaintiff's counsel. It is therefore submitted that the costs and attorneys' fees incurred by Defendant in making this Motion should be awarded by the Court.

CONCLUSION

Pursuant to the foregoing, it is submitted that

Plaintiff, in framing its Complaint, has omitted to inform the

Court of the facts of the underlying transaction, and specifically

facts indicative that the last act necessary to effectuate an

finalize its contract for sale and purchase of goods with

CIRCLE INTERNATIONAL COMPANY took place in Los Angeles County, California. Specifically, Plaintiff has failed to set forth the freight collect shipping terms and/or the fact that numerous invoices for goods were sent, along with the goods, cash on delivery. Thus, it is submitted that Defendant's Motion to Change Venue should be granted. Respectfully submitted, Dated: June 28, 1978 KIRSCH ARAK AND BULMASH RICHARD J. GREENE, Attorney for Defendant CIRCLE INTERNATIONAL COMPANY

I. DEAN McMURDIE, declare:

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That I am the President of CIRCLE INTERNATIONAL COMPANY, INC., a California corporation, and Defendant herein. That as to the following facts, I know them to be true of my

own personal knowledge and if called and sworn as a witness in this matter, I could and would competently testify thereto.

2. That as President of CIRCLE INTERNATIONAL COMPANY. I am the person primarily in charge of all transactions with GREMLIN INDUSTRIES and have had dealings with GREMLIN INDUSTRIES, for in excess of five years. In fact, I was instrumental in the creation of GREMLIN INDUSTRIES from its inception and provided said entity with the funds with which to build their first line of products.

3. That at no time whatsoever, has CIRCLE INTERNATIONAL COMPANY ever agreed to an account stated with GREMLIN INDUSTRIES in the amount of \$89,640.70, or in any other amount whatsoever.

4. In fact, there has been a continuing dispute between CIRCLE INTERNATIONAL and GREMLIN INDUSTRIES regarding what amount, if any at all, is payable from CIRCLE INTERNATIONAL to GREMLIN INDUSTRIES. The reason for this is simply that a large majority of the goods shipped to CIRCLE INTERNATIONAL by GREMLIN INDUSTRIES were, and are, totally defective and unsuitable for resale or any use whatsoever. In fact, GREMLIN INDUSTRIES agreed to take back \$29,000.00 of goods which I personally arranged to have shipped back to them. However, despite promising to accept the returns, GREMLIN refused to accept delivery, thus

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causing substantial expense to be incurred by CIRCLE INTERNATIONAL. The minimum amount of defective merchandise is \$29,000.00 and GREMLIN INDUSTRIES was notified in each instance as defective merchandise was discovered and promptly on discovery of same.

- In addition, numerous orders from GREMLIN INDUSTRIES were late, were invoiced as back orders without any prior notice that the order couldn't be filled, and/or were defective as described above. The result of all of this has been tremendous damage to CIRCLE INTERNATIONAL COMPANY in the form of cancellation of orders resulting in lost sales, loss of business due to customers going elsewhere for the reason that their orders were not filled on time, tremendous amounts of damages incurred by having to have CIRCLE INTERNATIONAL service department personnel work on the machines from GREMLIN in order to try and make the machines suitable for resale, and a loss of reputation and goodwill in the business community as a result of CIRCLE INTERNATIONAL not being able to live up to its obligations for delivery of merchandise all due to the failures of GREMLIN to properly perform its obligations to CIRCLE INTERNATIONAL.
- The result of the foregoing is that CIRCLE has been damaged in an amount far in excess of the amount claimed due from CIRCLE by GREMLIN. While the exact amount of CIRCLE INTERNATIONAL's damages have not yet been ascertained, my years of experience as the President and Chief Administrative Officer of CIRCLE INTERNATIONAL COMPANY indicate to me that the loss of business by virtue of lost customers and lost sales for order cancellations, as well as the defective merchandise, which 28 GREMLIN has refused to make good on, will total far in excess of

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the amount sued for in the Complaint in this action.

- Additionally, with regard to merchandise shipped 7. to CIRCLE INTERNATIONAL by GREMLIN INDUSTRIES, the vast majority of said shipments were freight collect with the last act necessary for acceptance of the goods to take place in Los Angeles County, California, by CIRCLE INTERNATIONAL COMPANY paying the freight collect charges, thus finalizing each purchase transaction. Attached hereto collectively marked Exhibit "1" and incorporated herein by this reference as though set forth in full are true and correct copies of GREMLIN invoices to CIRCLE INTERNATIONAL in excess of \$50,000.00, all of which show on their face that the shipments were freight collect. These invoices are furnished for illustration only and do not reflect each and every transaction where GREMLIN sent freight collect shipments to CIRCLE INTERNATIONAL to be accepted as set forth hereinabove.
- In addition, attached hereto marked collectively as Exhibit "2", and incorporated herein by this reference as though set forth in full are true and correct copies of numerous invoices from GREMLIN to CIRCLE INTERNATIONAL which were C.O.D (cash on delivery) with delivery and cash on delivery to take place in Los Angeles County, California. These items are included in the statement of account which Plaintiff has attached to its Complaint. However, these transactions are a further illustration of the fact that delivery and acceptance in Los Angeles County, California was the circumstance contemplated to finalize and effectuate each purchase transaction.
 - Furthermore, with regard to shipments received 9.

CIRCLE INTERNATIONAL COMPANY's receiving form specifically provides: "All merchandise received subject to 3 deduction for broken or missing parts." 4 What this simply means is that no transaction was 5 to be finalized, nor the goods accepted until it was verified 7 that said items were in proper order. Attached hereto marked Exhibit "3" is a true and correct copy of an exemplar of a 9 CIRCLE INTERNATIONAL COMPANY receiving document. 10 10. Additionally, at no time whatsoever did CIRCLE 11 INTERNATIONAL COMPANY, nor did I as President of CIRCLE INTERNATIONAL, instruct GREMLIN INDUSTRIES as to the method by which goods were 13 to be shipped to CIRCLE and/or the name of.or type of.carrier 14 to be used. Executed this 39 day of June, 1978, at Beverly Hills, California. I declare under penalty of perjury that 17 18 is true and correct. 19 20 21 22 23 24 25 26 27 28 -13-

ORIGINAL INVOICE 8401 Aero Drive. San Diego, California 92123 Telephone: (714) 277-8700 SHIP TO A0508 CIRCLE INTERNATIONAL 2225 W. PICO BLVD ENTION LOS ANGELES, CA 90006 SEASON'S GREETINGS! INVOICE NO. YOUR ORDER NO. F.O.B. DATE SHIPPED SHIPPED VIA NO. DATE FACT NET 30 1999981-1 VERBAL/D.M. 27 JAN . 78 27 JAN . 78 TRUCK AMOUNT UNIT DESCRIPTION PART SHIP. ORO. 8.0. THIS IS A BACKORDER INVOICE 10950.00 1095.000 TO GAME TENPIN 712-0001 .10 -10950.00 SHIP COLLECT Serial Numbers: 6022 6023 6024 6025 6026 6027 6028 6029 6030 6031 PAGE ORIGINAL INVOICE



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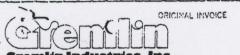
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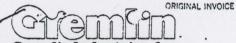
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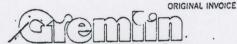
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Telephone: (714) 277-8700

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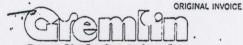
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Gremiin Industries, Inc. 8401 Aero Brive, San Diego, California 92/23 Telephone: (714)277-8700

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EXHIBIT "3" PAGE / OF /

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I.	RICHARD	J.	GREENE,	declare

- 1. That I am an attorney at law duly licensed to practice law before all of the Courts of the State of California, am an associate in the offices of Kirsch Arak and Bulmash and am one of the attorneys of record for CIRCLE INTERNATIONAL COMPANY, the Defendant herein.
- 2., That as to the following facts, I know them to be true of my own personal knowledge, and if called and sworn as a witness in this matter, could and would competently testify thereto.
- 3. That on or about June 1, 1978, I was consulted by Dean McMurdie, President of CIRCLE INTERNATIONAL COMPANY regarding the fact that he had been served with Complaint in the within action.
- 4. After discussing the facts of the case with Mr. McMurdie, I determined that venue should be in Los Angeles County, California and so informed Ernest Borunda, Esq., the attorney for Plaintiff. I did so on or about June 2, 1978 by sending Mr. Borunda a Stipulation to Change Venue. A true and correct copy is attached hereto marked Exhibit "1" and is incorporated herein by this reference as though set forth in full.
- 5. On or about June 14, 1978, I was informed by Mr. Borunda that the Stipulation was rejected and would not be signed by Plaintiff or Plaintiff's counsel.
- That on June 26, 1978 and June 27, 1978,
 I traveled to San Diego and took the Depositions of Frank Fogelman

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President of GREMLIN: Genc Candelore, Vice-President and General Manager of GREMLIN, Gerald Kansen, Senior Vice-President of GREMLIN, 3 and Ray Foster, Vice-President and Treasurer of GREMLIN. Each and all of said individuals, during the testimony at their individual Depositions admitted that freight collect shipments to CIRCLE 5 6 INTERNATIONAL resulted in freight charges being paid by CIRCLE 7 at the point of delivery in Los Angeles County, California, and 8 that with regard to cash on delivery shipments, both the freight charges and the payment of the order took place at point of 10 delivery in Los Angeles County, California. Mr. Hansen and Mr. 11 Foster contended that insofar as GREMLIN was concerned, the goods were the property of CIRCLE INTERNATIONAL in San Diego and that CIRCLE INTERNATIONAL instructed GREMLIN as to the manner of shipping, i.e., that the goods were shipped pursuant to CIRCLE's shipping instructions. However, neither Mr. Hansen or Mr. Foster could produce written shipping instructions from CIRCLE nor could 17 they indicate the manner by which CIRCLE INTERNATIONAL supposedly gave verbal shipping instructions.

Executed this 27 day of June, 1978, at Beverly Hills, California.

I declare under penalty of perjury that the foregoing is true and correct.

Bilard Stans

KIRSCH ARAK AND BULMASH 280 So. Beverly Drive Suite 300 Beverly Hills, CA 90212 3 (213) 278-9250 4 5 Attorneys for Defendant CIRCLE INTERNATIONAL CO.

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SAN DIEGO

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(213) 278-9250 13

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vs.

KIRSCH, ARAK AND BULMASH 260 South Beyery Deve, Suitt 300 Reverly Hills, California 60212

GREMLIN INDUSTRIES, INC., a Delaware corporation,

Plaintiff.

CIRCLE INTERNATIONAL, a California corporation, etc. et al.,

Defendants.

CASE NO. 416704

STIPULATION FOR CHANGE OF VENUE; AND ORDER THEPEON

IT IS HEREBY STIPULATED AND AGREED by and between Plaintiff GREMLIN INDUSTRIES, INC., a Delaware corporation and Defendant CIRCLE INTERNATIONAL CO., a California corporation (erroneously sued herein as CIRCLE INTERNATIONAL, a California corporation) by and through their respective attorneys of record that the within action be transferred to the Superior Court of the County of Los Angeles, Central District, 111 North Hill Street, Los Angeles, California;

IT IS FURTHER STIPULATED AND AGREED that Plaintiff shall bear all costs and fees for said transfer;

EXHIBIT " / " PAGE / OF 2

IT IS FURTHER STIPULATED AND ACREED that pending transfer 1 of the within action to the Los Angeles County Superior Court, Defendant CIRCLE INTERNATIONAL CO., a California corporation shall have an extension of time within which to file its responsive pleading to the Complaint on file herein to and including 30 days after the Los Angeles Superior Court notifies all parties as to assignment of a Los Angeles Superior Court case number. Dated: June .1978 ERNEST BORUNDA, ESC. Attorney for Plaintiff 12 Dated: June 7 ,1978 KIRSCH ARAK AND BULMASH GREENE, Attorney for Defendant CIRCLE INTERNATIONAL CO. ORDER Pursuant to the foregoing Stipulation, and good cause appearing therefor: IT IS SO ORDERED. Dated: ,1978 June JUDGE OF THE SAN DIEGO SUPERIOR COURT

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260 SOUTH DEVENTY DRIVE, SUITE 300 SEVERLY HILLS, CALIFORNIA 90212 KIRSCH, ARAK AND BULKASH (213) 276-9250

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